Model Portfolio

Realigning MOdel Portfolio to ride the earnings wave!

Remain OW on Banks v/s NBFCs; ICICI, AXSB, SBI top OWs | Add IIB, HDFCLIFE and BOB

The MOFSL BFSI MOdel Portfolio delivered a strong outperformance of ~150bp since our iteration in Nov'21 (cumulative outperformance of ~134bp since inception) to the underlying benchmark (Nifty Financial Services Index) propelled by our OW stance on Banks (ICICI, AXIS and SBI). NBFCs too supported the outperformance even as vehicle financiers underperformed, while select alpha ideas (ANGELONE and IIFLW) also contributed well to the overall portfolio outperformance. The 3QFY22 earnings season started in the shadow of OMICRON wave; however, the growth momentum remained unscathed and banks overall reported strong momentum in earnings. We realign our MOdel Portfolio to ride the ongoing earnings wave and maintain our OW stance on ICICIBC, AXIS, and SBIN among major banks. We have moderated our weights marginally for MUTH and ISEC and reduced our UW stance on HDFCB as the stock has underperformed significantly and earnings traction is likely to improve over FY23. We retain our UW viewpoint on most NBFCs while within insurance space SBILIFE remains our top OW. We have added IIB, HDFCLIFE and BOB to the model portfolio as valuations look attractive in the context of potential earnings recovery.

MOFSL BFSI MOdel Portfolio

Cos	MOFSL Wt. (%)	v/s NIFTY FIN (bp)	Chg. vs Nov'21 (bp)
ICICIBC	22.0	332	160
HDFCB	19.4	(276)	100
HDFC	13.2	(242)	(280)
AXSB	8.9	205	90
SBIN	8.7	185	70
BAJAJ GROUP	7.6	(210)	(40)
KMB	6.9	(256)	(113)
SBILIFE	2.5	72	0
MUTHOOT	1.5	97	(50)
IPRU	1.2	49	(10)
IIB	1.0	100	100
SHTF	1.0	15	(40)
HDFCLIFE	1.0	(98)	100
ANGELONE	1.0	100	-
IIFLW	1.0	100	-
CIFC	0.8	-	33
BOB	0.8	80	80
MMFS	0.5	17	(50)
ISEC	0.5	50	(50)
SBICARD	0.5	50	-

BFSI outperforms Nifty over recent months; stock performance divergent

- During FY22YTD, NSEFIN/Bank Nifty underperformed the Nifty by ~6%/4% while stock performance remained quite divergent. During the past two and a half months since our last version of the BFSI model portfolio, Bank Nifty has outperformed Nifty by ~3% led by (a) improving earnings growth and favorable outlook given the revival in economic activity, (b) improvement in asset quality along with reduction in SMAs/restructured loans, and, (c) sharp revival in loan growth. The NSEFIN/Bank Nifty have delivered 9%/11% returns in FY22YTD against 15% returns in the Nifty-50.
- Further analysis indicates a strong performance from key stocks over FY22YTD such as ISEC (+89%), BJFIN (+62%), CBK (+54%), BoB (+43%), SBIN (+38%), BAF (+32%), ICICIBC (+29%), FB (+27%), IIFLW (+24%) and SBILIFE (+24%).

BFSI MOdel Portfolio delivers sharp outperformance of 150bp

- MOFSL BFSI **MOdel Portfolio** has delivered a strong outperformance of ~150bp since our iteration in Nov'21. Thus, since its inception in Jun'21, the portfolio has delivered an outperformance of ~134bp amid a challenging operating and macro environment. We note that the outperformance was largely driven by Banks (+81bp) while Insurance (+46bp) and NBFCs (+25bp) too contributed to the overall portfolio performance.
- **Banks (OW)** - Our OW stance on our top ideas – SBIN, AXSB and AUBANK – which delivered returns of 2-14% v/s -1% by the Bank Nifty. This was further supported by our UW stance on HDFCB (-3%) and KMB (-14%).
- **NBFC (UW)** outperformed 25bp led by our UW stance on HDFC, which saw a decline of 20%, and BAJAJ Group. This was partially offset by underperformance of vehicle financiers and MUTHOOT.

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- **Life Insurance (UW)** sector witnessed a healthy outperformance of 46bp led by our UW stance on HDFCLIFE and ICICIGI, which declined ~14-19%. Our top pick, SBILIFE declined by a modest 5%.
- **Non-lending financials** – ANGELONE and IIFLW outperformed as they delivered ~3% returns with cumulative outperformance of 6bp. This was supported by HDFCAMC (+7bp), while SBICARD underperformed due to pressure on revolve rate/NIMs and uncertainty around the MDR charges.

Earnings outlook encouraging, pick-up in loan growth to be the next lever

- **Most of the banks** have reported their 3QFY22 earnings and the growth momentum has accelerated during the quarter fueled by a sharp pick-up in corporate portfolio while growth in retail, business banking and SME segment also stood healthy. NII growth thus picked up and was supported by steady margins. We expect the growth momentum to remain healthy as the economic activity recovers while capex cycle also revives over FY23. Thus, we estimate systemic loans to grow at 9%/13% over FY22E/FY23E, respectively.
- Asset quality trends have improved and most of the banks reported a decline in their NPL ratios while SMA/restructured book also declined. The improvement was led by controlled slippages and healthy recovery and upgrades as banks continue to lay their efforts on collections. We expect credit costs to remain in control as most of the banks are carrying adequate provisioning buffer.
- **The asset quality outlook for PSBs** is improving which along with a healthy uptick in operating performance enabled PSU bank index to deliver a return of 12% since Dec'21. SMA book across banks have moderated which augurs well for incremental slippage to remain controlled which coupled with healthy PCR in the 65–77% range would keep the credit cost under control. Therefore, PSBs are well-placed to deliver a strong rebound in earnings as we estimate FY22E PAT to be ~10x of the sum of FY17–21 PAT, while FY22–24E earnings would grow at a healthy 32% CAGR. We estimate RoA/RoE to improve to 0.9%/13.7% for FY24E v/s 0.4%/6.1% for FY21. The current valuations of PSBs (barring SBIN) at 0.5–0.7x FY23E P/ABV do not fully price in the forthcoming RoE recovery. **SBIN remains among our top pick while we added BoB to our model portfolio.**
- **For NBFCs**, demand continues to improve notably across product segments – Mortgages, Vehicle Finance, SME, Personal Loans and B2C Consumer Finance. While there was an organic improvement in asset quality during the quarter, RBI's NPA circular led to deterioration in the reported Gross Stage 3/GNPA numbers by the players within the NBFC/HFC segments. This classification of <90dpd loans in Stage 3/GNPA even led to an increase in credit costs during 3QFY22. We expect 4QFY22 to be strong for the NBFC lenders driven by strength in disbursements as well as improvement in asset quality.
- **Non-lending Financials:** Since Nov'21, Indian equity markets have seen increased volatility with the gap between intraday high and low of Nifty averaging 1.3% v/s 1% during Apr-Nov'21. In spite of this, there has been a substantial increase in trading activity with retail segment ADTO in Jan'22 being 22% higher than Oct'21. The demat account addition momentum has sustained with an addition of ~7m accounts in Nov'21 and Dec'21 (total 81m accounts). Active user client base on NSE continues to rise at the pace of 1.7m clients per month (total 31.5m clients).

Realigning MOdel Portfolio to ride the earnings wave!

- **Banks (OW):** We tweak our MOdel Portfolio to reflect our view on the growth environment, led by an uptick in economic recovery, improving asset quality and encouraging earnings outlook as the third wave has receded quickly with negligible impact.
- We maintain our OW stance on ICICIBC, SBIN and AXSB as the valuations remain attractive, while return ratios will improve further driving continued re-rating.
- We reduce our UW stance on HDFCB (-276bp) as the stock looks attractive while we expect PPoP, NIMs and loan growth to gain traction in the coming quarters. We remain UW on KMB (-256bp).
- **NBFCs (UW):** We retain our UW standpoint on HDFC (-242bp) and the Bajaj Group (-210bp) as both these otherwise strong franchises will lag in preference v/s banks and will thus continue to underperform in our opinion. We remain moderately OW on SHTF even though the stock has corrected significantly after the merger announcement as we believe that it will stand to benefit from an expected CV up-cycle and strong demand in used-CV market. We are Equal-weight on CIFC as valuations adequately capture the operational performance in our view though there could be potential optionality value from the newer SME and Consumer ecosystems that the company has entered. Moreover, we are OW on MUTH (+97bp) for the relative safety it offers in these uncertain times.
- **Life Insurance (UW):** We are OW on SBILIFE (+72bp) and IPRU (+49bp) on an improving business mix, cost control, and healthy VNB growth, underpinned by steady margins.
- **Non-Lending Financials:** We remain OW on ANGELONE (+100bp) given the strength in industry dynamics and better-than-estimated 3QFY22earnings. It also continues to depict robustness in business model as the number of trades rose 19% MoM in a volatile Jan'22. Conversely, we reduce our OW view in ISEC (+50bp) as retail brokerage revenue remains muted (flattish over the past seven quarters). Among others, we are OW on IIFLW (100bp) and SBICARD (50bp).
- **New Additions / Deletions:** We introduce IIB, HDFCLIFE and BOB in the MOdel Portfolio with 1%/1%/0.8% weight, respectively, as we believe that their earnings are likely to grow faster while valuations stand attractive. We have removed AUBANK from the MOdel Portfolio given its robust outperformance even as we remain positive on its underlying business.

Encouraging outlook buoyed by likely loan growth and strong asset quality

- We remain constructive on the sector as we expect loan growth trends to revive further. On the other hand, asset quality has been holding up well, and the outlook remains encouraging. We expect systemic loans to grow 9%/ 13% over FY22E/FY23E, respectively.
- The adequate contingency buffers held by banks as well as the controlled credit costs would enable decadal high RoEs for the Banking sector. We estimate private banks' RoA/RoE to improve to 1.9%/16.7% by FY24, while we estimate FY24 RoA/RoE of 0.9%/13.7% for PSBs.
- We continue to prefer large cap banks as their valuations appear reasonable given the earnings outlook. They have displayed a better ability to deal with macro uncertainties and have stronger balance sheets.

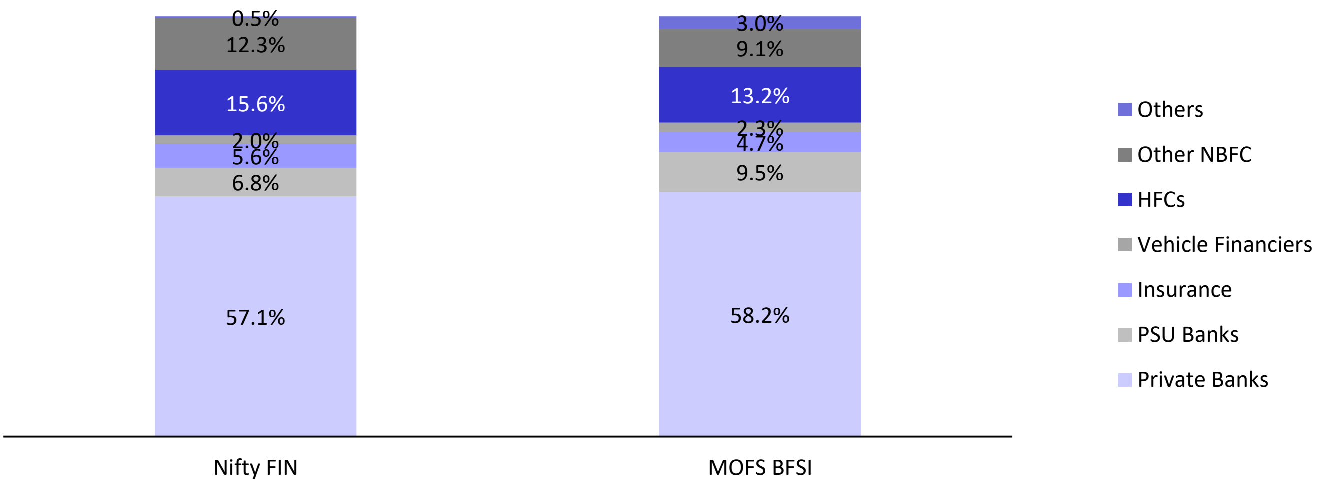
- **ICICIBC, SBIN, and AXSB** are our top large cap picks. Among mid-size banks and NBFCs we prefer **MUTH, SHTF, IIB and BOB.**
- Among the non-lending financials, **we prefer SBILIFE and IPRU** within life insurers and **ISEC, IIFLW, and ANGELONE** among other financials.

Exhibit 1: MOFSL BFSI MOdel Portfolio – OW on Banks and Non-lending financials

Companies	Segments	Nov'21			Feb'22		
		Weights (%)			Weights (%)		
		MOFSL BFSI	Nifty Fin	OW/ (UW)	MOFSL BFSI	NIFTY Fin	OW/ (UW)
Banks		**63.8**	**61.8**	**197**	**67.7**	**64.0**	**370**
HDFCB	Private Banks	18.4	22.3	-391	19.4	22.2	-276
ICICIBC	Private Banks	20.4	17.4	300	22.0	18.7	332
KMB	Private Banks	8.0	10.0	-198	6.9	9.4	-256
AXSB	Private Banks	8.0	5.9	215	8.9	6.9	205
SBIN	PSU Banks	8.0	6.3	171	8.7	6.8	185
AUBANK	Private Banks	1.0	0.0	100	0.0	0.0	0
IIB	Private Banks	0.0	0.0	0	1.0	0.0	100
BoB	PSU Bank	0.0	0.0	0	0.8	0.0	80
NBFCs		**28.9**	**31.8**	**-290**	**24.6**	**29.9**	**-526**
HDFC	HFCs	16.0	17.3	-130	13.2	15.6	-242
BAJAJ GROUP	Other NBFCs	8.0	9.8	-183	7.6	9.7	-210
CIFC	Vehicle Financiers	0.5	0.8	-27	0.8	0.8	0
SHTF	Vehicle Financiers	1.4	1.1	34	1.0	0.8	15
MUTHOOT	Other NBFCs	2.0	0.5	146	1.5	0.5	97
OTHERS	Other NBFCs	1.0	2.3	-131	0.5	2.4	-185
Non Lending Financials		**6.3**	**7.3**	**6.4**	**7.7**	**6.1**	**156**
HDFCLIFE	Life Insurance	0.0	2.1	-214	1.0	2.0	-98
IPRU	Life Insurance	1.3	0.8	52	1.2	0.7	49
SBILIFE	Life Insurance	2.5	1.7	79	2.5	1.8	72
ICICILOMBARD	General Insurance	0.0	1.3	-127	0.0	1.2	-117
ANGELONE	Others	1.0	0.0	100	1.0	0.0	100
IIFLW	Others	1.0	0.0	100	1.0	0.0	100
ISEC	Others	1.0	0.0	100	0.5	0.0	50
SBICARD	Others	0.5	0.0	50	0.5	0.0	50
HDFCAMC	Others	0.0	0.5	-47	0.0	0.5	-50
Cash		0.0	0.0		0.0	0.0	
TOTAL		**100.0**	**100.0**		**100.0**	**100.0**	

Source: MOFSL

Exhibit 2: MOSFL BFSI MOdel Portfolio – Overweight on banks and non-lending financials



Source: Bloomberg, MOFSL

Exhibit 3: MOFSL Report card

What went right	Reasons	Outlook ahead
Large Cap Banks		
ICICIBC	❖ **ICICIBC has been our top pick for the past few years.** The bank has reported strong improvement across key metrics and has positioned itself at the forefront of evolving technology landscape. NNPA ratio has declined to sub-1% – the lowest since Dec'14 while PCR has improved to ~80.3% – among highest in the industry.	❖ **Maintain ICICIBC as our top OW in the portfolio.** Moderation in credit cost and healthy loan growth would drive robust return ratios and aid further re-rating.
SBIN	❖ **We have maintained SBIN as our preferred pick right from the post-COVID lows.** Bank has reported remarkable improvement in slippage run-rate enabling sharp decline in credit cost.	❖ SBIN remains amongst our top Buys in the sector and **we estimate bank to deliver ~17% RoE by FY24.** The bank has maintained a strong control on restructured assets at 1.2% while SMA pool stands negligible.
KMB	❖ We **downgraded KMB in Nov'20** citing unfavourable risk-reward on account of rich valuations. While the bank has shown strong traction in loan growth growing in excess of 7-8% over the past couple of quarter, the pick-up in opex has resulted in minimal change in our earnings/RoE outlook.	❖ We expect loan growth to show strong traction which coupled with stable asset quality **will drive 17% CAGR growth in earnings. However rich valuations and management succession in Dec'23 remains an overhang.** Maintain Neutral.
BANDHAN	❖ We **downgraded Bandhan bank in Jan'21** owing to concerns on its asset quality in core MFI business along with profitability pressures.	❖ The bank has been reporting subdued earnings owing to higher asset quality stress and reported significant loss of INR30b during 2QFY22. **CE and growth trends are now showing recovery signs however restructured assets and SMA still remain elevated. We expect earnings to gain traction from FY23** and maintain our Neutral rating on the stock.
Mid Cap Banks		
AUBANK	❖ **AUBANK has been our high conviction buy among mid-cap banks over the past few years.** The bank has been growing its loan book at a robust pace while delivering strong earnings and asset quality. The pick-up in liability franchise has been commendable with CASA increasing to 39% while retail deposit mix has also increased to 70%.	❖ **The stock has moved up sharply over the recent months (~40%) on the back of robust earnings and asset quality performance.** We estimate AUBANK to deliver 35% earnings CAGR over FY22-24E and have increased our TP to INR1,500 (4.5x FY24E ABV).
DCBB	❖ We **downgraded DCB at its highs** (pre-COVID) and have been maintaining Neutral stance since. The bank is reporting sluggish growth trends while asset quality has also been under pressure as it witnessed one of the highest restructuring among peers.	❖ **While risk-reward has improved owing to significant correction in stock price, limited visibility on earnings and growth recovery keeps us Neutral on the stock.**
Life Insurance		
HDFCLIFE	❖ We **downgraded HDFCLIFE in Aug'19** owing to rich valuations and our expectation of moderation in business growth and VNB margins.	❖ **HDFC Life has undergone significant time correction over past two years and with other insurers catching up on VNB margin, product diversity and growth, the valuation premium of the stock has declined**. We maintain our Neutral stance though the trading multiple has declined to more reasonable levels.

Source: MOFSL, Company

Exhibit 4: MOFSL Report card

What went right	Reasons	Outlook ahead
PSU Banks (Ex SBIN)		
PSU Banks (Ex SBIN)	❖ **We suspended coverage on PSU Banks for over two years (FY20-21) and resumed the same in early FY22 as we believed that operating performance of PSU banks is at the cusp of a turnaround.**	❖ **We estimate PSBs to deliver strong earnings at 48% CAGR over FY21-24E.** While increase in G-sec yields would likely drive treasury losses but pick-up in operational performance would enable absorption of these losses. Moderation in SMA book gives comfort on incremental stress formation and will drive continued moderation in credit cost.
	❖ **Bank of Baroda: Upgraded to BUY in 2QFY22** results after being Neutral for almost three years.	
	❖ **Canara Bank: Resumed coverage with BUY during 1QFY22**	
	❖ **Punjab National Bank:** Maintain Neutral for many years now	
What went wrong	**Reasons**	**Outlook ahead**
SBICARD	❖ **We initiated coverage on SBI Cards with a Neutral rating during 4QFY21 but soon upgraded it to Buy owing to correction in price.** However, the setback from COVID driving sharp deterioration in asset quality and decline in revolver mix has impacted the margins and RoA profile. ❖ This along with the RBI's announcement to review the MDR charges has further posed uncertainty around fee income.	❖ **Asset quality has shown strong improvement with RBI-RE book declining to 2% while Stage 1/2 assets are near Pre-Covid levels. This would keep incremental slippages in control and we expect credit cost to moderate.** Further, mix of revolver balance will take a few quarters to normalize aiding gradual recovery in margins. We remain watchful of RBI's discussion paper on MDR charges though we find risk-reward to be favourable as robust spending growth and favourable demographics would enable stronger return ratios.

Source: MOFSL, Company

Exhibit 5: Price performance across BFSI stocks (%)

Index	1M	3M	6M	9M	1 Yr.	3 Yr.	5 Yr.	FY22YTD
SENSEX INDEX	-8	-7	1	16	8	57	99	14
NIFTY INDEX	-8	-7	2	15	10	57	92	15
CNXBANK INDEX	-4	-5	2	15	-1	37	82	11
BSE100 INDEX	-8	-7	2	14	11	56	88	15
NSEFIN INDEX	-8	-10	-2	11	-3	51	109	9
New Private Banks								
AXSB	7	5	1	13	-3	11	59	11
BANDHAN	5	-1	5	11	-9	-35	NA	-8
DCBB	-7	-21	-11	-16	-30	-55	-40	-21
HDFCB	-5	-5	-4	6	-9	40	125	-1
ICICIBC	-8	-3	7	26	12	119	191	29
IDFCFB	-11	-14	-2	-19	-19	-2	-30	-21
IIB	2	-10	-8	6	-11	-38	-29	-1
KMB	-10	-17	-2	2	-12	36	121	0
SBICARD	-8	-24	-20	-15	-19	NA	NA	-11
YES	-6	2	13	0	-18	-94	-95	-15
Old Private Banks								
CUBK	-10	-18	-11	-19	-22	-27	6	-15
FB	-3	-3	13	21	13	20	16	27
KVB	0	-9	19	-7	-5	-24	-35	-7
RBK	-14	-35	-22	-28	-47	-75	-67	-35
CSBBANK	-2	-17	-25	-11	8	NA	NA	2
SIB	-8	-8	-15	-23	5	-36	-59	2
Public Sector Banks								
BOB	13	7	33	43	33	2	-37	43
BOI	-4	-15	-23	-30	-11	-37	-59	-23
CBK	3	3	49	59	44	5	-20	54
INBK	2	-10	13	18	18	-36	-48	28
PNB	-8	-11	-1	1	-6	-49	-74	1
SBIN	-1	-1	18	39	23	88	86	38
UNBK	-6	-12	22	15	28	-40	-70	26
Small Finance Banks								
AUBANK	-1	4	-6	32	15	118	NA	2
Equitas	-5	-8	-10	30	32	-2	-37	30
Ujjivan	-20	-21	-43	-45	-52	-57	-72	-43
Insurance								
HDFCLIFE	-17	-22	-17	-17	-20	55	NA	-20
IPRU	-15	-24	-25	-10	3	65	41	13
SBILIFE	-13	-5	-4	12	25	93	NA	24
MAXF	-20	-14	-22	-6	1	114	37	-4
BJFIN	-14	-14	8	43	49	160	336	62
ICICIGI	-9	-16	-11	-13	-14	41	NA	-10
NIACL	-7	-14	-8	-13	-3	-23	NA	-14
GICRE	-7	-9	-17	-34	-9	-41	NA	-34
NBFC's								
HDFC	-15	-23	-16	-5	-20	21	64	-8
BAF	-13	-10	6	27	17	160	540	32
BAJAJ	-5	5	25	47	45	63	154	56
CIFC	13	2	32	25	24	175	227	18
SHTF	-6	-28	-10	-12	-23	14	25	-18
MUTHOOT	-9	-21	-8	16	3	157	305	12
Piramal	-15	-14	-19	38	22	5	27	29
Power Fin	-8	-13	-11	3	-11	16	-11	3
REC	-4	-6	-12	-4	-12	11	-7	2
MMFS	-9	-20	-1	-1	-31	-37	-17	-25
IIFLW	-6	-3	3	30	26	NA	NA	24
ISEC	-12	-9	3	46	73	272	NA	89
HDFCAMC	-12	-19	-26	-22	-28	65	NA	-26

Source: Bloomberg, MOFSL

Exhibit 6: Valuation matrix – Banks and Insurance

Companies	Rating	M-cap	CMP	TP	BV (INR)		ABV (INR)		RoA (%)		RoE (%)		P/E (x)		P/BV (x)		P/ABV (x)	
		(INR b)	(INR)	(INR)	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
Private Banks																		
ICICIBC*	Buy	5,493	754	1,100	280	327	259	305	1.9	2.0	15.8	16.9	14.0	10.6	2.0	1.7	2.2	1.8
HDFCB*	Buy	8,418	1,473	2,000	493	578	477	559	2.0	2.1	17.5	18.1	16.9	13.9	2.8	2.3	2.9	2.4
AXSB*	Buy	2,463	773	975	422	490	399	465	1.5	1.6	14.4	16.1	11.3	8.7	1.5	1.3	1.6	1.4
BANDHAN	Neutral	512	310	320	118	145	108	136	2.6	3.1	20.4	25.0	13.9	9.4	2.6	2.1	2.9	2.3
KMB*	Neutral	3,622	1,747	2,150	404	458	380	429	2.0	2.0	12.3	12.9	25.1	19.2	2.9	2.3	3.1	2.5
IIB	Buy	743	940	1,300	691	796	677	781	1.7	1.9	14.2	15.9	10.2	8.0	1.4	1.2	1.4	1.2
FB	Buy	217	96	130	93	104	84	95	1.0	1.1	11.9	13.4	9.1	7.3	1.0	0.9	1.1	1.0
DCBB	Neutral	26	81	100	136	151	121	136	0.8	1.0	9.7	11.7	6.6	4.9	0.6	0.5	0.7	0.6
EQUITAS	Buy	40	113	150	114	127	104	118	1.3	1.7	10.8	15.4	9.6	6.1	1.0	0.9	1.1	1.0
AUBANK	Buy	415	1,253	1,550	281	345	272	335	2.0	2.1	18.8	20.4	26.0	19.6	4.5	3.6	4.6	3.7
RBK	Buy	85	135	200	224	245	205	228	0.9	1.2	7.5	10.8	8.4	5.3	0.6	0.6	0.7	0.6
SBICARD	Buy	798	824	1,120	106	140	105	139	6.6	7.2	28.6	30.3	30.7	22.1	7.8	5.9	7.9	5.9
PSU Banks																		
SBIN*	Buy	4,724	502	725	355	415	307	369	0.9	1.0	15.6	16.7	5.6	4.4	0.8	0.7	0.9	0.7
PNB	Neutral	438	37	45	92	100	63	72	0.5	0.6	6.6	8.7	6.1	4.3	0.4	0.4	0.6	0.5
BOI	#N/A	255	62	#N/A	159	NA	128	NA	0.6	NA	9.2	NA	4.1	NA	0.4	NA	0.5	NA
BOB	Buy	588	106	150	176	200	154	180	0.9	1.0	13.0	13.8	4.8	4.0	0.6	0.5	0.7	0.6
CBK	Buy	456	235	300	412	466	324	373	0.6	0.7	12.0	12.8	4.7	3.9	0.6	0.5	0.7	0.6
UNBK	Buy	316	43	65	112	122	87	97	0.7	0.8	12.3	14.0	3.3	2.7	0.4	0.4	0.5	0.4
INBK	Buy	191	149	200	364	412	317	368	0.7	0.8	12.9	14.0	3.6	2.9	0.4	0.4	0.5	0.4
Life Insurance																		
HDFCLIFE**	Neutral	1,203	557	730	181	214	181	214	NA	NA	18.1	17.9	76.9	65.5	3.1	2.6	3.1	2.6
IPRU**	Buy	742	502	760	268	309	268	309	NA	NA	15.2	15.5	61.9	57.2	1.9	1.6	1.9	1.6
SBILIFE**	Buy	1,133	1,094	1,600	509	607	509	607	NA	NA	18.7	19.2	69.2	63.2	2.1	1.8	2.1	1.8
MAXF**	Buy	296	826	1,150	390	471	390	471	NA	NA	20.4	20.9	46.5	39.5	2.1	1.8	2.1	1.8

*Multiples adjusted for investment in subsidiaries **BV represents EV, RoE represents RoEV and P/ABV represents P/EV

Exhibit 7: Valuation matrix – NBCFs and Diversified financials

	Rating	CMP (INR)	Mcap (INRb)	P/E (x)		P/BV (x)		RoA (%)		RoE (%)	
				FY22E	FY23E	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
HFCs											
HDFC*	Buy	2,297	4,377	17.0	12.2	2.0	1.5	1.9	1.9	12.2	12.6
LICHF	Buy	359	197	10.8	7.3	0.8	0.8	0.7	1.0	8.4	10.9
PNBHF	Neutral	395	70	7.8	6.5	0.7	0.6	1.2	1.5	9.1	10.2
AAVAS	Sell	2,916	235	67.6	52.7	8.4	7.2	3.4	3.7	13.2	14.7
CANFIN	Buy	593	83	16.6	14.4	2.6	2.2	1.9	1.9	16.8	16.6
REPCO	Buy	259	17	5.8	4.9	0.7	0.6	2.3	2.6	12.7	13.5
Vehicle Finance											
SHTF	Buy	1,164	280	12.1	8.8	1.2	1.1	1.9	2.4	11.0	13.2
MMFS	Buy	150	95	82.6	9.0	1.2	1.1	0.3	2.7	1.5	13.2
CIFC	Buy	660	557	26.2	21.3	4.7	3.9	2.7	2.9	19.7	20.1
Diversified											
BAF	Buy	6,790	4,215	58.1	40.5	9.6	7.8	3.7	4.3	17.7	21.3
SCUF	Buy	1,679	112	10.3	8.4	1.2	1.1	2.9	3.1	12.6	13.9
LTFH	Buy	71	183	15.6	9.2	0.9	0.8	1.1	1.8	5.8	9.3
INDOSTAR	Buy	244	32	32.5	13.5	0.9	0.8	1.0	2.1	2.7	6.3
MAS	Buy	572	34	19.6	15.9	2.5	2.2	3.1	3.3	13.3	14.6
Gold Finance											
MUTH	Buy	1,355	571	13.5	11.5	3.0	2.5	5.9	5.9	23.9	22.6
MGFL	Buy	143	130	7.9	5.6	1.4	1.2	4.6	5.7	19.3	22.8
Wholesale											
PIEL	Buy	2,252	514	19.4	16.8	1.5	1.4	0.0	0.0	8.1	8.7
ABCL	Buy	111	283	5.3	0.5	0.5	0.1	1.5	2.0	9.5	11.9
Capital Markets											
IIFL Wealth	Buy	1,619	144	26.0	21.4	5.0	4.8	22.6	22.7	19.3	23.0
ANGELBRK	Buy	1,245	103	17.3	14.2	6.8	5.2	0.0	0.0	45.0	41.2
ISEC	Buy	725	234	16.6	15.5	10.1	8.2	0.0	0.0	67.9	58.4

*Multiples adjusted for investment in subsidiaries

Source: Company, MOFSL

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